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Before The
Arizona Corporation Commission
In The Rate Case of
Far West Water & Sewer Company
Docket # WS-03478A-12-0307

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Direct Testimony of
Robert Rist, Intervenor

Arizona Corporation Commission
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Experience & qualifications

Q. Please describe your experience and qualifications that would give you the ability to testify in this Rate case.

A. My career started at age 19 when I entered the US Navy. I served 9 years on active duty, as a boilerman. I then left active duty and went into the Navy Reserve where I completed 27 years. As a boilerman I gained experience on all types of pumps, compressors, blowers, and controls. I was also a certified boiler-water tester, in which many of the tests used are directly related to use in wastewater treatment.

After leaving active duty in the Navy my search for employment in civilian life lead to a maintenance job in a wastewater plant. Over the years I worked in 5 different wastewater plants, mostly responsible for maintenance, however there were times when I was responsible for doing daily lab analysis, also when needed I drove a sludge truck, applying digested sludge to farm land.

Q. Please list the plants you worked at and your responsibility at each plant.

A. I started at the Metzger Sanitary District in Washington County Oregon. I was hired to do maintenance. Washington county was going thru tremendous growth in the 1970's and many of the wastewater plants were overloaded and not meeting standards. Oregon DEQ put Washington county under a building moratorium, till a master plan was developed. The first thing that was done, was put almost all treatment plants under one management. That new management was known as Unified Sewerage Agency (USA). One of the first actions taken was form a maintenance team that would do maintenance for all of the plants under the operation of USA. A man who had worked there for a number of years was put in charge, and I was selected as the other team member. I was moved from Metzger to the Aloha Oregon plant, which is between Beaverton and Hillsboro Oregon. This area has become the Silicone Valley of Oregon. Intel and Hewlett Packard, as well as others are located there. The new Agency had a voter approved bond sale for \$36,000,000.00. A plan was put together and new 20 MGD Advanced wastewater plant was built at a small area known as Durham. I was put in charge of maintenance at Durham, as well as all other plants and lift stations. After 7.5 years at USA I left and decided to go in business for myself. I bought a service station in Central Oregon.

1 That venture wasn't working, as it was feast or famine, so I started another venture doing Predictive
2 Maintenance using vibration analysis. I developed accounts at sawmills, plywood plants and
3 wastewater plants. One account was City of Newberg Oregon. At that plant whenever I found a
4 problem they contracted me to do the repairs, eventually asking me to take a full time job. After 4
5 years I was offered a position at Oak Lodge Sanitary District, near Portland. At this plant, at first I had
6 responsibility for maintenance of plant equipment and lift stations. I worked at Oak Lodge for 14
7 years. The last 5 years I was asked to also take on the additional responsibility of the collection
8 system. This included a crew of three people who maintained about 125 miles of mainline sewer, and
9 did all connections of new homes. I was responsible for all sewer inspections on new houses. We
10 operated 2 hydro-cleaning trucks one of which was a Vaccon truck exactly like the one Far West
11 owns. We also operated a TV truck which allowed us to internally inspect the sewer line. With this
12 system every joint could be pressure tested with air. If it did not pass or we could visually see ground
13 water coming in, we could then inject a 2 part grout into the leak and stop the leak on the spot. If we
14 found damaged pipe, its location was recorded and scheduled for dig-up and repair in the summer.

15 **Q. Did you have any certifications in Wastewater or related fields?**

16 A. Yes I did, they are listed below.

17 Wastewater operator grade 1, Oregon

18 Wastewater Collection system grade 4, Oregon

19 Wastewater maintenance grade 4, Oregon. Many states do not have this certification, in
20 Oregon it a voluntary certification but many employers ask for it. At the time I retired it
21 had not been recognized by DEQ.

22 Oregon State Plumbing Inspector (sewer) license.

23 **Q. Have attended any educational classes which have helped in wastewater field?**

24 A. Yes several classes.

25 Machine shop class (lathe & milling machine) Portland Community 3 terms

26 National Electrical Code, Portland Community College.

27 Motor Controls, Portland Community College.

28 Vibration analysis school, (IRD Mechanalysis).

1 Water testing school, (US Navy) 3 times.

2 PLC programming class, put on by Mitsubishi.

3 **Q. Why did you ask to be an Intervenor on this rate case?**

4 A. Well several reasons, I do have a lot of experience working in wastewater. I have seen first
5 hand what can be accomplished with properly planned and managed plants. I am a customer of Far
6 West Sewer and this rate case has a direct impact on me and thousands of my neighbors. I live in Vista
7 Del Sol, which was served by Palm Shadows treatment plant, and we put up with the over whelming
8 odors and sewage spills for years. I know it doesn't need to be that way and does not need to cost an
9 exorbitant fee to get good treatment.

Tour of the Plants

Q. You were recently taken on a tour of the WWTP's by Far West Management. Please tell us your impressions of that tour.

A. We were escorted by Paula Capestro, Issac, the head operator, and Mike, the maintenance man on a tour of most of the plants but not all. I would like to have seen all of the plants and more of the pumps stations but we only got to one lift station. Let me take each plant individually.

Section 14 WWTP

This is an existing plant that has undergone a major upgrade. The major feature at this plant is the new Zenon system. This is a membrane devise very much like reverse osmosis. It is the first installation of one of these I have seen in a treatment plant. I have heard of complaints of odors on the nearby golf course, but I was unable to detect any unreasonable odors inside the plant. The solids and grit are removed near the head-works, dewatered and discharged in a dumpster for disposal in solid waste landfill. In summer months this might be a source of odor. The disinfection is now UV light instead of chlorine. UV systems are not very tolerant of any solids or turbidity in the water as the light will foul and not do its job. So it is imperative that the water be very low in turbidity. I did ask for a sample of effluent down stream of the UV, and I have to say it was crystal clear with no detectable odor. I asked about fecal coliform test results, which they said were zero. If that is true the water is drinkable, however I did not try it. We have asked for lab results in a Data Request but that been said to be to burdensome. They said I would need to view them in the office.

Del Oro WWTP

This is an existing plant that serves Mesa Del Sol. It has been upgraded to increase capacity and improve effluent standards. This plant is basically the same design as Section 14 except where Section 14 has two identical trains, Del Oro has only one. Here again we were pleased to find there were no detectable odors and the effluent again was clear as drinking water. Solids and grit are removed at the headworks, dewatered and put into a dumpster for disposal at a solid waste dump site. This could be a source of odor in summer months.

1 *Villa Royale & Vista Del Rey*

2 These two plants serve Mesa Del Sol. They are very small in terms of MGD, and under the terms of
3 the Consent order of ADEQ, were scheduled to be decommissioned at this time. It was suggested we
4 not to go to these two plants. The reason given was that they are on the edge of golf course, and there
5 was a danger of being hit with a golf ball. We were advised that operators always wear hard hats at
6 those plants. We were told that nothing has been done toward decommissioning. So I assume both of
7 these plants still stink as they have for years.

8 *Seasons WWTP*

9 This plant serves the Seasons sub-division. On the tour this was the only plant where we immediately
10 smelled a sewage odor when we stepped out of the car. The upgrading of this plant is not yet
11 completed. During the upgrading period at Del Oro, they used a Zenon membrane filter mounted on a
12 movable skid. Now that Del Oro has had a permanent Zenon installed, the skid mounted system has
13 been moved to Seasons. That system and the UV disinfection are not yet completed. We were told
14 APS needs to complete wiring. At this time the original system is still in operation.

15 *Palm Shadows Lift Station (force main to Section 14)*

16 Palm Shadows WWTP plant has been decommissioned by order of ADEQ. The plant never worked
17 from the first day it was put on line. This was because the design of the plant called for ponds that
18 allow the treated sewage to percolate into the ground and evaporate into the air. The percolation part
19 did not work because the ponds were built on top of a clay bed. Since the plant needed to be
20 decommissioned it was decided by Far West Management, and their engineers to pump the sewage all
21 the way to Section 14 plant. A new pump station has been installed at the site of the existing plant
22 head-works. This plant was probably the worst problem in the whole system and could be smelled at
23 times up to 2 miles away. It appears most of this has been resolved, although when walking along the
24 street where the gravity line runs into the lift station, there is odor at the manholes. The new lift
25 station uses two 100 HP submersible pumps. The station has not been without problems. It failed soon
26 after going on line and resulted in diverting sewage back into the plant. Again in summer of 2012 it
27 failed and resulted in a sewage spill. While on the tour, we inquired about lift station 25 on 44th Street.
28 We have seen tank trucks being loading sewage on a regular basis. The response was that it was not
29 keeping up. We replied, so its undersized? The answer was no it just started having problems in

1 November, when many winter residents showed up. This just is not acceptable as this is normal flow
2 in the winter.

3 *Marwood WWTP*

4 We were not taken to this Treatment plant.

5 *El Rancho Encantado*

6 We did not visit this area, but I want to mention my concerns. This is a new sub-division with phase 1
7 having 91 lots. The sewer system is not standard, with gravity sewers flowing to a low area and then
8 picked by a lift station, if need be. This system uses a low pressure force main for all lots. So as it is
9 built, there is a small lift station situated at every two lots. The piping uses standard 2" PVC pipe and
10 doesn't need to be buried deep like normal gravity sewers. This made the system cheap to install when
11 compared to gravity sewer. The lift station wet wells can be installed at the lots with no pumps or
12 controls till the lot is sold. Once all the lots are sold, we have 45 new submersible lift stations added
13 to the system. I doubt that these are checked daily as the other lift stations are, it would take a lot of
14 time. So operators don't know of problems till an alarm is set off. As I have stated elsewhere in my
15 testimony, submersible pumps are a maintenance problem. These pumps also incorporate a grinder in
16 the impeller, which is suppose to handle the solids that get flushed. I fear there has been a
17 maintenance problem added to the system.

18 **Confined Spaces**

19 **Q. On your tour of plants and lift stations do you see any safety problems?**

20 **A.** Yes I do and I brought it up during the last rate case. Far West Water and Sewer has already had a
21 loss of two lives from working in confined spaces without properly trained personnel, or proper safety
22 equipment for confined spaces, and should be doing everything in its power to remove the need to
23 work in unsafe confined spaces. Section 14, Del Oro, and Palm Shadows all have brand new
24 submersible pump stations, that should have had their design changed to have a Wet side and a Dry
25 side. Submersible pump stations do have an initial cost that is lower, but in the long run they will cost
26 more. A dry side pump station has all piping, valves, and controls available without needing to test the
27 atmosphere for dangerous gas, or rigging a retrieval system. The dry side can be continuously
28 ventilated. Submersible pumps defy logic. Electric motors that run under water must be specially
29 designed to keep water out of the motor. This requires delicate seals, which can be destroyed by grit

1 and stringy rags. These motors must be explosion proof, which requires special certifications to work
2 on them; they can't be repaired in house. **Far West has missed a golden opportunity** to do away with
3 several of these problem areas. Millions of dollars have been spent on the upgrades and asking for
4 these changes in design would not have been a significant increase in the cost of the plant upgrade.
5 The pump station on 44th Street that I mentioned earlier would be relatively easy to put in larger
6 pumps if it was a dry side pump station.

7 Fairness of Rates

8 **Q. Far West has stated in data requests that the Rate for RV spaces is set at 25% of residential,**
9 **and that commercial accounts are at 200% of residential. Do you see this as a fair and equitable**
10 **method to calculate rates?**

11 A. No I do not. First lets take at the RV spaces. Far West claims there between 713 and 740 RV spaces
12 located in 4 RV parks. I have looked at these parks and find that a very high percentage is occupied by
13 Park Model RV's, these are an alternative to a regular RV, however they are not designed to be moved
14 on a regular basis. The plumbing in these park models is no different than the plumbing in a standard
15 stick built house, except it may or may not have a washing machine. One might think that the regular
16 RV's in these parks contribute less sewage. That is true, however the sewage is much more
17 concentrated and causes just as much BOD loading or more on the receiving sewage treatment plant.
18 The valve on the blackwater tank is normally kept closed until it near full at which time it is emptied.
19 This allows the solids to be flushed out more efficiently. Because these solids are held in the tank for
20 several days, it is general practice to use holding tank chemicals. These chemicals stop all biological
21 action, which raises BOD. So we have high strength sewage that is discharged in slugs to the
22 treatment plant. The Park Model RV that I live in, should not be charged more that a Park Model in a
23 RV Park.

24 Now I will look at the rate for Commercial connections. Far West so far has chosen to object to giving
25 us a itemized list of business accounts, citing privacy rights of the business, however there was not a
26 problem listing the RV parks. Far West is Charging double the residential rate for businesses but it
27 can't be said that all businesses are equal. For example we may have a bank where the only sewage
28 contributed comes from restrooms for employees, and maybe a lunch room with a sink. This is far
29 different than the full service Mexican restaurant next door. This business is using garbage disposers
30 and dishwashers cleaning thousands of dishes and pots and pans. It may have a grease trap which may
31 or may not, but should be inspected regularly by wastewater personnel. This restaurant also is not

1 comparable to another restaurant down the street that serves fast food. Fast food places serve their
2 food on paper products and plastic eating utensils which are thrown away. This business will
3 contribute more load than the bank but less than the full service restaurant. Other businesses such a
4 beauty salon, or an automobile oil change business all have the potential to contribute detrimental
5 discharges to the plant. The point is the type of business and their potential contributions to the load
6 on the plant needs to be looked at and an equitable method of setting fees adopted. Right now the
7 residential customers are paying an inequitable share.

8 **Q. There are numerous comment letters from consumers filed on this ACC Docket which**
9 **object to this increase and paying for service they don't get. By that, they mean they don't**
10 **occupy their homes year around. Do you agree with this objection?**

11 A. No, while I certainly understand their objection, as I only occupy my home for 5 months a
12 year and I pay 12 months. However other things must be considered. The plant had to be designed and
13 built to a certain size to accommodate the peak flow when all residents are here. Personnel had to be
14 hired to correctly operate and maintain the plant and collection system. They can't be layed off when
15 we leave for our northern homes. There may be a reduction in some utilities, like electricity, however
16 the cost probably doesn't go down, because electric rates are higher in summer months.

17
18 **Q. So you think the rates being requested are justified?**

19 A. Absolutely not, it is totally out of line. I am not a CPA, but when I look at the numerous
20 documents provided in the data requests I am amazed at the spending. The Legal fees, Late fees,
21 interest rates, are just shameful. Project management fees of \$10,000 per month to Mr. Capestro is not
22 in any way justified. Spending is uncontrolled everywhere, and there seems to be no end. In the last
23 rate case we brought up the mapping and maintenance software. I don't recall the exact cost but I
24 believe it to be over \$150,000. In what way has that improved maintenance? It appears every time a
25 problem arrives, they call in an outside company.

26 When compared to other wastewater plants in the area or around the country, Far West is way
27 out of line. The City of Yuma charges \$32.00 and they have a beautiful new plant located on 5E. Far
28 West wants to say Yuma charges \$42.00 per month, but that is outside their area. We are not outside of
29 Far West's CCN.

Hook-up Fee

Q. In the Sparten data request 1-22, Far West says they do not intend to implement a connection fee. Do you think a connection fee should be implemented?

A. Yes most definitely. Every new connection to the system moves closer to the point where the plant has reached its designed flow, and must be expanded or upgraded. Current users on the system should not be responsible for paying for expansion needed because of growth. Upgrades required because of equipment coming to the end of its useful life, or because of requirements of new environmental regulations should fall on all users. A hook-up fee must be put into a special account and kept till the time it is needed. This will reduce the need for expensive loans, which Far West has a very hard time securing.

Related Party Charges

Q. In a data request to Staff 2-1, Far West states "Far West employees occasionally provide services to H&S. When provided, those services are billed at cost to H&S. H&S owns and operates Hank's Market & Butcher Shop, Foothills Mini Mart, and Foothills Sand & Gravel. Far West purchases certain materials and supplies from those entities at retail prices." Is this practice appropriate?

A. NO. What they are saying is, H&S can charge full retail for products purchased from H&S related parties. But when Far West employees do work for H&S, they do it at cost. This means that the rate payers, who pay the wages of Far West employees, are subsidizing H&S by doing work at cost. If Far West does work for an outside company it should make a profit. However it should not be doing work for other companies at all. It is evident to me that there is enough work doing **operation and maintenance** at the plants and pump stations. In the Gilkey 3rd DR titled "spillreportsfor2012.pdf" I am sure several of these spills are a result of needed maintenance. If these employees don't have enough to do in the Wastewater plants and pump stations, then we have too many employees.

Conflict of Related Parties

Q. Do you see any conflict of Far West being owned by the same owners of H&S Developers?

A. Yes very much so. They are suppose the be operated at arms length, but it impossible for me to look at the data they have submitted and tell if that is the case. I already showed where Far West performs work at cost for H&S. There are thousands of dollars of charges from Andrew Capestro for legal fees, which I have no idea for what, when there is another attorney also retained by the company. Through out my career I have never seen it work out, where someone else was able to get to the money collected from sewer fees. At City of Newberg the water and sewer departments were a cash cow for parks and library's. It was easy to funnel money off to where it might not get support from voters, then when upgrades were required in that stepchild Wastewater plant, it wasn't there. So then they would go to the voters for more taxes or higher rates. The voters are stuck because have to have adequate sewers. When I worked at Oak Lodge Sanitary District, it was totally different. It was an independent utility district. It had one General Manager, and a five member board of directors, elected by the residents. Monthly board meetings were open to the public, and it was encouraged for the public to attend. When that District was first formed, it was financed by sale of bonds. After those bonds were paid off, all further expansions and upgrades were mostly paid for in cash. That District and as matter of fact all plants that I was involved with had a connection fee. That money was not used for operation and maintenance, but put in a special account for use in expansions. That fee did not hamper developers from building new homes, as all developers had the same fee. However when the owner of the Wastewater utility also owns the major developing company in the area, it is easy to see why it is desirable to have the existing rate payers fund the expansions.

Q. Do you think there should be a total separation of Far West and H&S development?

A. Yes most definitely, and I don't see how that can be done as long as they retain ownership. I think it should be explored forming a "Local Improvement District" (LID), or a Co-op owned by customers of the system. I do not know the steps to do this, but I know it can be done. Becoming publicly owned and non profit would have a number of advantages, like being tax exempt, and the ability to sell bonds if needed, or acquire low interest loans. A Co-op or LID would have a salaried General Manager, hired by a board of directors. The board of directors would be elected by the users. A General Manager can be hired who has full qualifications in Water and wastewater. Transparency would be a requirement with all board meetings open to the public. A Co-op would not

1 need to produce a profit for owners to take, profits would be kept for future expansions and upgrades.
2 It would operate with an annual Operation & Maintenance budget, and a five year budget. The
3 General Manager would be responsible for producing these budgets, and it would then be approved by
4 a budget committee.

5 Preventive maintenance would be a very important part of Operation, with a maintenance person
6 equal in responsibility to the head operator. The goal would be to perform most maintenance by in
7 house personnel, and reduce unexpected breakdowns to near zero.

8 We will never have control under the current conditions. The public needs to have ownership of the
9 system.

11 Final Comments

12 **Q. Mr. Rist, as a conclusion to your testimony, do you think that Far West Water and Sewer has**
13 **served their customers well?**

14 A. No I do not. When you look at all that has occurred over the years, it has been a pathetic
15 demonstration of inept management. We have had loss of two lives, many many violations of their
16 Aquifer Protection Permit, and hundreds of complaints of odor and sewage spills from customers.
17 And now as a requirement of a ADEQ consent order, they are upgrading plants and decommissioning
18 others. Far West will say this is all settled issues, but I do not think they can run from their history, the
19 facts are the facts. They are squandering money everywhere, and much of it going to related parties.
20 On work done by H&S developers, I have not seen any competitive bids. Sealed competitive bids are
21 the only way we can be assured we are getting the best price. Far West has been very secretive.
22 Requests made locally, outside of a rate case are often ignored. All of the plants are behind locked
23 gates, and operators inside have ignored requests to come inside. I come from wastewater operations
24 that welcomed people to become involved and learn how sewage is treated. If we did not have time at
25 the moment to take people on a tour, we scheduled one at a later time. School teachers often
26 scheduled children to take tours of the plants. The teachers and students always said they learned a lot.
27 With newly upgraded plants on line now, we are still seeing numerous spill reports being filed with
28 ADEQ. This is shown in the Gilkey 3rd DR spillreportsfor2012.pdf

1 **Q. Mr. Rist, does that conclude your testimony?**

2 A. Yes it does, however the fact that I may have omitted any important points does not mean that I
3 agree or disagree with that point.

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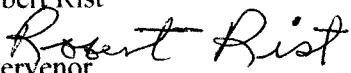
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